THE FAILURE OF NIGERIA MERCHANT BANK PLC

1.0 INTRODUCTION

The collapse of Nigeria Merchant Bank never came to the Nigeria Deposit Insurance Corporation (NDIC) as a surprise. That was because the bank was comatose for some time before the eventual revocation of its license by the Central Bank of Nigeria (CBN) in 1998 and subsequent handover to the NDIC for liquidation. The resolution of the bank, which began in 1998 along with 25 other distressed banks served as an acid test and a challenge on the capacity of the NDIC to undertake multiple liquidation of banks. The failure of 26 banks at the same time in the system, resulted in the overstretching of the Corporation's manpower to the extent that it had to seek for the assistance of the CBN, in addition to having to firm out part of the closing assignment to some reputable accounting firms in the country.

The license of Nigeria Merchant Bank was revoked on January 16, 1998 and as at that date, it had N68,979,981.33 in deposits and N2,037,866,325.93 in loans and advances. Out of the bank's total deposits of N68,979,981.33 as at the time of closing, only N4,847,130.12 was insured. The gap between insured and uninsured deposits of the bank at the time of liquidation could be explained by the fact that the bank was involved in wholesale banking (Merchant Banking), dealing mainly with high net-worth individuals and corporate bodies while the maximum insured amounts at that time was N50,000.00.

The size of the bank in terms of deposits, loans and advances and branch network informed the NDIC's choice of pay-out option in winding its affairs at least cost to the deposit insurance fund (DIF). The same resolution option was used in winding the affairs of other 25 banks that were put into liquidation at that time.

The aim of this case study is to review the circumstances surrounding the failure of the bank, examine the measures taken by the regulatory/supervisory authorities to avert the failure, what issues arose in the course of winding up the affairs of the bank and the lessons to be learnt from the failure of the bank.

2.0 Historical Background of the Bank

The Nigeria Merchant Bank Ltd could be considered to have belonged to the first generation banks in Nigeria, as it was incorporated as a company in 1960 but could not commence operation as a Merchant Bank until 1973. It was a wholly indigenous bank that was owned by the Federal Ministry of Finance and United Bank for Africa (UBA) Limited in the ratio of 60:40 respectively. It had its head office in Lagos and had a financial year end of March 31. The bank was bedeviled with the problem of high and sticky nonperforming loans over time, with the figure peaking to N1,804,469,637.34 out of a total loans and advances of N2,037,866,325.93. Majority of the credits were granted since 1982 and many of the accounts became court cases while some of the debtors were either deceased or untraceable. That led to the accumulation of interest charges on the accounts, which amounted to about 84.2% of the total loans portfolio while the principal granted amounted to only 15.8% of the total exposure. The unwillingness of the debtors of the bank to service their loans could partly be explained by the fact that the bank was seen to be a government owned bank and therefore money taken from it was seen as a share of the "national cake". In addition, there were no proper documentations done in most cases.

The high quantum of nonperforming loans threw the bank into grave financial problems of illiquidity, insolvency, leading to capital inadequacy and operating losses. In consideration of the enormous financial difficulties faced by the bank, the regulatory authorities took the decisive action of imposing "Holding Actions" on it in November 1992 to forestall further deterioration of its condition. The imposition of holding action led to the freezing of some of the activities of the bank in terms of deposit mobilization and granting of new loans, but allowed and encouraged the intensification of debt recoveries and adoption of cost reducing measures, among others. By September 1995, when the condition of the bank did not show any sign of response to the "Holding Actions" imposed on it, the Federal Government of Nigeria, which was the major shareholder, appointed the Bureau for Public Enterprise (BPE) to merge/restructure it along with two (2) other distressed merchant banks – Continental Merchant Bank Plc and Icon Ltd [Merchant Bankers] as a precursor to the establishment of a commercial bank. Part of the measures taken by BPE to restructure the bank was the rationalization of its workforce including Executive Management as well as branches, leaving only the Head Office, which was later sold in October 1997.

Nigeria Merchant Bank was subjected to series of on-site examinations by the supervisory authorities (CBN & NDIC) either individually or jointly as well as off-site surveillance, which was done on a more regular basis. In 1992, the bank was declared technically insolvent following the examination by the CBN. The examiners made far reaching recommendations, which if implemented could turn around the fortunes of the bank. In 1994, the CBN also undertook a special examination of the bank and found that its conditions rather than improving, actually deteriorated such that its adjusted capital and capital adequacy ratio were negative, its liquidity ratio was negative, quantum of nonperforming loans was high, which accounted for about 94.4% of the total loans and advances of the bank, weak internal controls and accounting system and inept Management. These conditions even deteriorated further when the NDIC examiners visited the bank in 1995.

The crisis faced by the bank may have been partly aggravated by the review of certain government policies, such as the transfer of government deposits from banks to the central bank as well as the liberalization of the banking sector, which saw a lot of new entrants into the system that heightened unhealthy competition amongst operators. That was in addition to the government factor, which was to have played major role in putting the bank in the crisis situation it found itself.

3.0 Review of Early Warning Indicators and Causes of Failure

Bank failures from the point of view of regulators have certain signs and indicators that could point at the gravity of the problems associated with distressed institutions and which gives warning about the condition of a bank to both the regulatory authorities and bank's management. The basic indicators of distress to regulators/supervisors usually manifest through an assessment of the banks' asset quality, liquidity and capital adequacy against the prudential limits. Also important is the profitability of the institution as well as its overall management.

A review of the quality of assets of Nigeria Merchant Bank through a special examination jointly conducted by CBN and NDIC Examiners as at 28th February, 1994, revealed that out of a total loan portfolio of N1.88 billion found in the books of the bank, N1.70 billion were nonperforming and were duly classified. The examination report also revealed that the substantial portion of the nonperforming credits comprised accrued interests on the outstanding sticky loans and advances that accumulated and were capitalized. The examination report also revealed that the classified loan assets were financed by short term deposits. That mismatch in the maturity profile of the bank's deposits and loans and advances caused liquidity crisis, which characterized its operations over the years. Furthermore, another target examination conducted by the NDIC on the bank as at 30th June, 1995, revealed that the quality of its assets was very poor as about 96% of the total loans and advances were non-performing. Also, the examination report revealed that the bank had high concentration of director-related loans that were classified nonperforming. Table 1 shows the exposure of directors and their related parties to the bank.

TABLE 1
SCHEDULE OF DIRECTOR-RELATED FACILITIES AS AT JUNE 30, 1995

NAME OF DIRECTOR	FACILITY TYPE	DATE GRANTED	LIMIT (N)	BALANCE (N)
Madam Omoniyi (Rio Products)	Agric. Loan Ind. Loan	08/11/1985	350,000 1,555,638	2,943,022 5,542,414 8,485,436
Mr. B. A. Ehizuenien	Property Loan	09/09/1983	238,206	2,263,126
Alhaji Yazid Ibrahim (Hambali Farms Ltd)	Bankers Acceptance. Agric, Loan Bankers Acceptance	29/09/1988 13/07/1988 -	500,000 250,000 -	246,370 1,597,889 11,259 1,855,518
Mr. O. O. Olusanya	Housing Loan			863,681
Total				13,467,762

Source: NDIC, Bank Examination Department

Being a government bank, it was equally exposed to both the federal and state governments' parastatals. The facilities were secured with irrevocable standing order to deduct from the states statutory allocations at CBN but up to the time the order expired, the loans were not repaid. That further contributed to the bank's quantum of nonperforming loans and its illiquidity. Table 2 clearly shows the bank's exposure to government and its agencies.

TABLE 2
STATE GOVERNMENTS/PARASTATALS RELATED FACILITIES

S/No.	Names	Types of Facility	Balance Outstanding
1.	Borno State Government	Bankers Acceptances	5,714,703
2.	Ondo State brickworks	Industrial Loans	8,582,400
3.	Cross River State	Property Loan	11,255,914
4.	New Nigerian Newspapers	Remittance Accounts	12,873,392
5.	Jos steel Company Limited	Remittance Accounts	6,160,327
6.	Anambra State Government	Syndicated Loan	4,433,716
7.	Federal Mortgage Bank of Nigeria	Syndicated Loan	24,302
8.	Kano State Government	Syndicated Loan	2,771,850
9.	Government of Gongola State	Syndicated Loan	20,118,889
10.	Government of Niger State	Syndicated Loan	427,094
11.	Government of Benue State	Syndicated Loan	6,021,947
12.	Nigeria Airways	Syndicated Loan	4,024,589
Total			82,409,123

Source: NDIC, Bank Examination Department

TABLE 3
SUMMARY OF CLASSIFIED CREDITS

Classification	Amount (₦'000)	Rate (%)	Recommended Provision (₦'000)
Substandard	3,003	10	300
Doubtful	14,241	50	7,121
Lost	1,873,252	100	1,873,753
Performing	44,442	1	444
Total			1,881,618

Source: NDIC, Bank Examination Department

Another indicator of trouble faced by the Nigeria Merchant Bank was its level of capital. The examination of the bank by the CBN as at February 28, 1994, indicated that its issued and paid–up capital stood at N50 million. However, as at the time of the examination, the capital adequacy ratio turned out to be negative due largely to high provision for nonperforming loans and operating losses incurred by the bank. In June 1995 when CBN examiners visited the bank again, they found that its total reserve aggregated to a negative figure of N853,818,000, while the paid-up capital remained at N50 million. The bank's capital and reserves had been seriously eroded by the huge provision for nonperforming credits, giving a negative adjusted capital of 1:0.17, which was below the recommended ratio of 1:10 (see Table 4). The capital position clearly indicated that the net worth of the bank did not support the level of the total risk assets it was carrying at that time. As per the recommendation of the examiners, which was based on the impact of their provision, the owners of the bank were required to inject fresh capital amounting to N901.5 million.

TABLE 4
ADJUSTED CAPITAL COMPUTATION

	N'000	N'000
Share Capital		50,000
Statutory reserve		33,512
Capital redemption reserve		5,000
General reserve		(889,738)
Retained losses		(2,594)
		(803,818)
Bank's Provision for Loan Losses	1,810,326	
NDIC's Provision	(1,881,618)	(71,292)
Adjusted Capital	**A**	(875,110)
Total credits		1,959,963
Less Bank's Provision		1,810,326
	B	149,637
Ratio A:B = 1:0.17 **NEGATIVE**		
Recommended maximum ratio = 1:10		

Source: NDIC, Bank Examination Department

Persistent liquidity problem faced by the bank was another indicator of a failing institution. Since the last examination by the CBN, the bank was found to be unable to satisfy the prescribed minimum liquidity ratio of 30%, as it had a ratio of negative 14.96% as at March 1994. It had an average liquidity ratio of 15%, over a long period, which was largely caused by the mismatch in the maturity profile of its deposits and loans that characterized the operations of the bank over the years. Consequent upon that, the bank continued to pay penalties for its inability to meet the prescribed ratio.

Trend in the profitability of the bank showed that indeed Nigeria Merchant Bank was heading for the rocks. The bank had persistently recorded huge operating losses since the examination conducted by the CBN as at February 28, 1994. The examination report revealed that the bank had been operating at a negative interest margin. It had negative interest expense/income ratio of 264% as at February 1994, which implied that the interest paid for the funds mobilized by the bank was substantially higher than the interest received on the funds it invested. Also, high provision for loan losses amounting to N175.8 million or 35% in 1991/92, N237.7 million or 31% in 1992/93 and N76.3 million or 25% as at 1994, added to the total expenses and ultimately to the losses incurred by the bank. The bank's over reliance on very costly inter-bank funds, provision for loan losses coupled with the payment of exorbitant brokerage/finders fee accounted largely for the losses it recorded over a prolonged period of time.

The revelations from the examination reports as indicated above coupled with the signals got through the analysis of the bank's call reports by the analysts in both the CBN and NDIC, gave sufficient indication to the regulatory/supervisory authorities that it was in grave financial difficulty.

4.0 Measures Taken by the Regulatory/Supervisory Authorities

Nigeria Merchant Bank was adjudged insolvent after the CBN's Routine Examination of 31st May, 1992 and was consequently placed under "Holding Actions" by the CBN in order to arrest its deteriorating financial condition and prevent its imminent collapse. Among the key aspects of the Holding Actions were that the bank should:

- (i) beef up its existing capital to N100 million,
- (ii) intensify its debt recovery efforts,
- (iii) improve the bank's liquidity position,
- (iv) make adequate provisions and,
- (v) improve its capital adequacy position.

The Management's attempt to inject fresh capital into the bank was, however, unsuccessful as the existing shareholders turned down the request for making fresh funds available. Similarly, several initiatives which included the sales of its Head Office and an application for N300 million working capital loan from the NDIC were not successful. The NDIC refused to grant the bank's loan request on the ground that the Ministry of Finance Incorporated (MOFI) refused to surrender its shares in the bank to the NDIC as collateral. Furthermore, the Board made attempts to float its shares but the proposal was not approved by the Technical Committee on Privatization of Companies (TCPC) because of the bank's poor financial position.

Because of the precarious condition of the bank, the regulatory authorities intensified off-site surveillance on the bank by asking it to render extra returns in addition to the regular returns being rendered by all the banks in the system. That was complemented by frequent onsite examinations of the bank so as to ensure that the condition of the bank did not get worse. For instance, in 1994 when CBN examiners visited the bank for examination, its condition had not improved, as it remained grossly undercapitalized with its risk-weighted assets ratio and liquidity ratio remaining negative. The examination team made far reaching recommendations, some of which included:

a) that the bank's shareholders should inject fresh funds immediately;
b) that it should intensify its debt recovery efforts;
c) that it should strengthen its internal control system and audit function; and
d) address weaknesses in its accounting system and records.

All these recommendations made by the regulatory authorities were not implemented by both the shareholders and Management of the bank, hence the deterioration of its condition heightened.

By September 1995, when the condition of the bank did not show any sign of response to the "Holding Actions" imposed on it, the Federal Government of Nigeria, which was the major shareholder of the bank, appointed Bureau for Public Enterprise (BPE) to merge/restructure it along with two (2) other distressed Merchant Banks (Continental Merchant Bank and ICON Merchant Bank) as a precursor to the establishment of a commercial bank. The BPE was a Federal Agency responsible for the privatization and commercialization of government companies or divestment of government interests in public companies. Depending on the situation of a company, BPE had the mandate of restructuring it in preparation for disposal. Part of the measures taken by BPE to restructure Nigeria Merchant Bank was the rationalization of its workforce including Executive Management as well as branches, leaving only the Head Office, which was later sold for N850 million in October 1997, as a way of improving its balance sheet. BPE also appointed executive management for the bank led by a Sole Administrator, Mr. Nze F. Chukwu, to replace that which was rationalized. That was contrary to what was done to the other 25 banks that were identified as distressed at that time and who had CBN/NDIC Interim Management Boards appointed by the regulatory authorities to turn them around.

4.1 Failure Resolution

Three years after the takeover of the bank by BPE, its fortunes were never turned around. Instead, the condition of the bank continued to deteriorate to the extent that it had to close shop on its own. When it became obvious to the regulators that no viable remedy to salvage the bank and 25 others could be found, the Governor of the Central Bank of Nigeria revoked their licenses, effective January 16, 1998. The NDIC was subsequently appointed liquidator to wind-up the affairs of the bank as at 16th January, 1998.

As at the time Nigeria Merchant Bank was closed along with other 25 distressed banks, the NDIC could still be considered an amateur in terms of bank closing, having closed only 5 banks in 2 batches of 4 banks in 1994 and 1 bank in 1995. Payout was the resolution option used for the 5 banks closed between 1994 and 1995. The choice of payout for the 5 banks was based on the following reasons:

i. The quantum of deposits in each of the banks was small, which makes it easier for the NDIC to pay directly using its staff;
ii. The number of depositors was small, which also made it easier for the NDIC to use its staff for the payment; and
iii. The branch network of the banks was small, as most of them were Merchant Banks. Even the commercial banks among them got some of their branches rationalized before the closure.

Based on similar reasons listed above and the fact that Nigeria Merchant Bank and the 25 other banks whose licenses were revoked in 1998 had small branch network, small quantum of deposits, small number of depositors and the fact that a number of them closed shop for a long period thereby denying depositors access to their funds, the NDIC opted for payout option in resolving their failure. However, because of the number of banks involved and the fact that NDIC staff had to be at each of the branches of the banks at the same time, the Corporation had to seek for the assistance of CBN as well as engaged the services of private chartered accounting firms. As far as the use of NDIC staff for the closing exercise was concerned, the Corporation had to deploy its entire workforce to the field.

As at the time Nigeria Merchant Bank was closed, it had total deposits amounting to N153,895,719.94 out of which N4,847,130.12 was insured and N149,048,589.82 uninsured. Furthermore, the bank had a total of 107 depositors that maintained accounts with it as at the time of closure, which turned out to be the smallest number of depositors when compared to the other 25 banks that were closed alongside it (Closing Report, 1998). The disproportionate ratio of uninsured deposits to the insured deposit was not surprising as the bank was a merchant bank that operated on a wholesale basis with a minimum deposit balance of N50,000, which was equivalent to the maximum insured amount per bank per depositor as at that time. The implication of this scenario is that the deposit insurer had more work to do in the area of asset realization than on pay-out.

(i) The Closing Exercise

The closing of Nigeria Merchant Bank along with the other 25 banks that were closed in 1998 followed the usual pattern of a typical closing exercise. The exercise started with the revocation of the license of the bank on January 16, 1998 and the subsequent publication of the revocation order in the Federal Government Gazette. That was followed with the commencement of the actual closing activities on 19th January, 1998. The closing team moved into the bank and took-over the control. That was done without any hitch as the bank was already comatose with the management replaced and its entire staff retrenched before the eventual withdrawal of operating licence. It is imperative to note that as at the time of closing, the bank had only 45 staff that was retained on contract basis.

The next process of the closing exercise was the preparation of the statement of affairs of the bank as well as taking inventory of its records, documents and assets. Part of the important records and documents had to do with the deposits and credit registers, files and any document that was related to that. Another important document was the fixed asset register that gave information about fixed assets of the bank as at the time of closing. All these records, documents and files were taken-over by the closing team without any problem within two weeks. Another two weeks were used by the closing team for the verification of claims by the depositors of the bank preparatory to the commencement of the payment of insured amounts. Table 5 shows the Statement of Assets and Liabilities of Merchant Bank of Africa (in-liquidation) as at January 16, 1998.

TABLE 6
STATEMENT OF ASSETS AND LIABILITIES AS AT JANUARY 16, 1998

DESCRIPTION	NET BOOK VALUE
CASH ON HAND	1,066,191.32
DUE FROM OTHER BANKS:	
LOCAL	499,883,442.29
FOREIGN	20,145,125.26
MONEY ON CALL	13,959,414.02
TREASURY BILLS/CERTIFICATES	0.00
OTHER FINANCE INSTRUMENTS	0.00
INVESTMENTS	2,537,118.00
LOANS AND ADVANCES (NET)	34,316,855.39
OTHER ASSETS (NET)	0.00
FIXED ASSETS	5,302,000.00
TOTAL ASSETS	577,200,146.28
DEPOSITS	68,733,740.47
DUE TO CBN	31,028,803.00
SUNDRY CREDITORS	12,997,813.45
OTHER LIABILITIES	44,398,793.44

TOTAL LIABILITIES	157,159,150.36
NET ASSETS/(LIABILITIES)	420,040,995.92
SHARE CAPITAL	50,000,000.00
STATUTORY RESERVE	33,512,000.00
GENERAL RESERVE	336,528,995.92
DEBENTURE	0.00
SHAREHOLDERS FUNDS	420,040,995.92

Source: NDIC, Claims Resolution Department

It must be noted that the closing team encountered difficulty when drawing up the above statement of assets and liabilities of the bank. One of the problems was that few days to the date of closure, the bank's information system broke down. All efforts to get the system fixed failed while the untimely update of records compounded the problem of access to credible data for the preparation of the statement of affairs of the bank as at the time of closing. Hence, the accounts referred to in Table 5 were prepared from information made available to the closing team from the un-reconciled records of the bank.

However, of particular importance to the NDIC during closing exercise was information on deposit and risk assets as well as fixed assets. Although information on deposit balances and credits were readily available to the closing team, there were some concerns that need to be mentioned here. The deposit balances were based on the understanding reached between the former management of the bank and erstwhile depositors where interest forbearance to the bank was instituted in all payments made. Therefore, in order not to rock the boat and in the process open the bank to an array of litigation, that arrangement was maintained by the NDIC closing team for the purpose of making payment to depositors. Another concern was on the risk assets figures. The records of the bank showed that it had a total exposure of N2,037,866,325.93 as at 16th January, 1998 out of which N1,804,469,637.34 representing 89% was nonperforming and had been provided for by the bank. The concern here was that most of the facilities were granted as far back as 1982, but had expired before 1992 when the Holding Actions were imposed on the bank by the CBN. Many of the accounts involved had become court cases while some debtors were either deceased or untraceable. That problem warranted the accumulation of interest charges on the accounts, which accounted for 84.2% of the total loans portfolio, while the principal was just about 15.8% of the total exposure (NDIC Closing Report 1998). That clearly signals to the NDIC that debt recovery was going to be tough.

The inventory of fixed assets of Nigeria Merchant Bank indicated that the bank had only assorted office furniture, motor vehicles, a generator and some office partitions as its fixed assets as at closing. That was so because the bank's offices including its Head Office building were sold in response to the Holding Actions imposed on it and subsequently based on the recommendation of BPE as part of its efforts at turning around the fortune of the bank. That invariably meant that depositors with uninsured deposits may not get back any substantial amount.

(ii) Reimbursement of Claims

The next stage after verification of deposit balances and ascertaining the loans and advances as well as the fixed assets of the bank, is for settlement of claims to begin. In the case of Nigeria Merchant Bank, because of the rationalization of all its branches before its eventual closure, the payment of the insured sums was in the first instance limited to the Head Office in Lagos. The payment was conducted by the NDIC staff and was in the first instance for a period of one two (2) weeks, and was extended for another two (2) weeks before the funds were transferred to an agent bank close to the Head Office where payment continued. When it became obvious that payment of the insured sums would not be completed during the direct payment exercise involving the staff of the Corporation because of low turnout, the Management of NDIC took a decision to use some healthy banks to continue with the payment as agent banks. It is imperative to note that out of a total insured deposits of N4,847,130.12 belonging to 107 depositors, about 77 depositors came forward to collect N3,625,972.37 as at December 2011.

(iii) Payment of Liquidation Dividends

In addition to the settlement of the insured sums, the depositors of the bank that had amount in excess of the insured amount were paid through dividend declaration based on the amounts realized from the recoveries of loans and advances and sales of physical assets. In terms of amount recovered from the debtors of the bank, only a paltry sums of N233.10 million out of N1,243.15 million was realized. That was expected given the fact that about 84.2% of the loan amounts were accrued interest against sticky credits that remained unpaid for a very long period. Furthermore, large chunk of the actual credit granted had no proper documentation that could aid recoveries by the NDIC. Regarding the amounts realized from the sale of physical assets, it must be appreciated that at the time of closure, the bank had sold all its branches and head office buildings. Consequently not much was realized from the sales of fixed assets, as only N128.94 million was realized for appropriation to the uninsured depositors of the bank.

5.0 KEY LESSONS LEARNT

The circumstance that led to the collapse of Nigeria Merchant Bank could serve as useful lessons for the regulatory/supervisory authorities, bank owners and managers as well as other stakeholders within the financial system. Some of the lessons from this case include the following:

i) As seen in the case, Nigeria Merchant Bank Plc was 100% indigenous bank mainly owned by two (2) shareholders, namely: government through the Federal Ministry of Finance Incorporated and United Bank for Africa, in the ratio of 60:40 respectively. The shareholding composition of the bank, presupposed the dominance of government and there was the mindset that 'government businesses were nobody's businesses'. As such the leadership of the bank usually appointed by government owes their allegiance to the government officials that assisted them in getting the position. The bank's Board and management apparently subjected themselves to whims and caprices of those that paved way for their appointment even if it means bending the rules. As seen in the case of Nigeria Merchant Bank, a lot of state governments and Federal government agencies borrowed money from the bank and refused to pay back. Furthermore, the executive management also took advantage of what the government officials were doing and got involved in all manners of malpractices ranging from taking unauthorized loans to getting involved in brokerage/finders scams. All that brought to question the issue of adherence to corporate governance principles by government-controlled banks such as the Nigeria Merchant Bank Plc, which is one of the lessons to learn from this case. However, the good news here is that following the ugly practices by most government controlled banks, which led to their collapse in the 1990s, the regulatory authorities came up with a policy that limited government ownership in any bank to not more than 5%.

ii) Another lesson to learn from the failure of Nigeria Merchant Bank is with respect to the choice of a failure resolution option by the NDIC. Given the fact that the bank had disposed off virtually all its branch offices and head office building before its closure by the regulatory authorities, coupled with the fact that most of its nonperforming credits were fraudulently granted without proper documentation and with the beneficiaries either deceased or untraceable, the adoption of a Purchase and Assumption would not have been feasible as no healthy bank would have indicated interest on its assets. Therefore under such circumstances, payout turns out as the best option.

NIGERIA MERCHANT BANK PLC

BALANCE SHEET As At

March 31,	1988	1989	1990	1991	1992
USE OF FUNDS					
Cash & Short Term Funds	411,346	667,882	621,793	1,093,710	925,400
Investments	467	7,965	3,856	4,806	5,106
Loans & Advances	397,610	522,106	768,719	632,482	576,668
Equipment on Lease	21,808	35,138	59,313	-	-
Other Assets	240,395	301,471	86,330	311,509	237,340
Fixed Assets	1,683	6,244	26,832	72,689	110,008
Total Assets	1,073,309	1,540,806	1,566,843	2,115,196	1,854,522
SOURCE OF FUNDS					
Share Capital	10,000	15,000	30,000	35,000	50,000
Capital Redemption Reserve	-	-	-	-	5,000
Statutory Reserve	13,921	21,373	32,173	33,048	33,512
Profit & Loss Account	28,863	42,219	54,619	52,244	33,326
Shareholder's Fund	52,784	78,592	116,792	120,292	121,838
Deposits	685,164	1,140,693	1,176,013	1, 767,53	1,426,686
Tax, Dividend & Other Liabilities	335,361	321,521	274,038	227,366	307,099
	1,073,309	1,540,806	1,566,843	2,115,196	1,854,522
Contingency Liability	112,875	99,172	127,397	148,821	115,426

PROFIT & LOSS ACCOUNT

For the year ended

March 31,	1988	1989	1990	1991	1992
EARNINGS					
Gross Earnings	141,451	200,279	325,594	394,704	494,778
Less: Interest paid	83,644	113,127	205,657	293,626	248,294
Net Earnings	57,917	87,152	119,937	101,078	246,484
EXPENSES					
Overhead Expenses	12,405	16,958	31,872	-	66,792
Provision for Loan Loss	4,500	7,868	9,952	44,967	175,751
Depreciations	7,749	12,275	17,935	-	-
	24,654	37,101	59,759	44,967	242,543
Profit before Taxation	33,263	50,051	60,178	12,011	3,941
Taxation	6,214	20,243	16,978	8,511	2,395
Profit after Taxation	27,049	29,808	43,200	3,500	1,546
Unappropriated Profit b/f	8,196	28,863	42,219	54,619	25,571
	35,245	58,671	85,419	58,119	27,117
APPROPRIATIONS					
Statutory Reserve	3,382	7,452	10,800	33,048	464
Proposed Dividend	3,000	4,000	5,000	-	-
Bonus Issue	0	5,000	15,000	0	-
	6,382	16,452	30,800	33,048	464
Unappropriated Profit c/f	28,863	42,219	54,619	25,571	26,653

FINANCIAL PROFILE OF THE BANK AS AT THE DATE (16TH JANUARY, 1998) OF REVOCATION OF ITS LICENCE

ADDITIONAL CAPITAL REQUIRED (₦' MILLION)	CAPITAL TO RISK WEIGHTED ASSET RATIO (%)	RATIO OF NON-PERFORMING LOANS TO SHAREHOLDERS FUNDS (%)	LIQUIDITY RATIO (%)	CURRENT A/C BALANCE AT CBN (₦' MILLION)	INSIDER LOANS TO TOTAL LOANS (%)	RATIO OF NON-PERFORMING LOANS TO TOTAL LOANS (%)	ACCUMULATED LOSS (₦' MILLION)
768.7	-264	-243.74	-12.32	-31.03	99.94	95.92	0

SOURCE: NDIC (2005); Bank Liquidation in Nigeria.

DEPOSIT PAYOUT AS AT DECEMBER 31ST, 2004

TOTAL DEPOSITS AT CLOSURE (₦ MILLION)	TOTAL INSURED DEPOSIT (₦ MILLION)	TOTAL INSURED DEPOSIT PAID (₦ MILLION)	LIQUIDATION DIVIDEND		
			RATE%	AMOUNT DECLARED (₦ MILLION)	AMOUNT PAID (₦ MILLION)
153.896	4.847	3.626	100	153.9	78.38

SOURCE: NDIC (2005); Bank Liquidation in Nigeria.

DEPOSIT PAYOUT AS AT 31ST DECEMBER, 2014

TOTAL DEPOSITS AT LIQUIDATION (₦) MILLION	TOTAL № OF DEPOSITORS AT LIQUIDATION	TOTAL INSURED DEPOSITS AT LIQUIDATION (₦) MILLION	TOTAL EXCESS DEPOSITS (₦) MILLION	TOTAL PAID INSURED (₦) MILLION	№ OF INSURED DEPOSITORS PAID	TOTAL EXCESS PAID (₦) MILLION	№ OF UNINSURED DEPOSITORS PAID
153.896	107	4.847	149.049	3.626	77	78.385	40

SOURCE: NDIC Annual Report and Statement of Accounts 2014.